

LORAL SPACE & COMMUNICATIONS INC.
Form DEF 14A
April 29, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934**

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
 o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 x Definitive Proxy Statement
 o Definitive Additional Materials
 o Soliciting Material Under Rule 14a-12

Loral Space & Communications Inc.

(Name of Registrant as Specified In Its Charter).

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
 o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 20, 2008

The Annual Meeting of Stockholders of Loral Space & Communications Inc. (Loral or the Company) will be held at the *Park Central New York, 870 Seventh Avenue at 56th Street*, New York, New York, at 10:30 A.M., on Tuesday, May 20, 2008, for the purpose of:

1. Electing to the Board one Class II Director whose term has expired; and
2. Acting upon a proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2008.

The Board of Directors has fixed the close of business on April 3, 2008 as the date for determining stockholders of record entitled to receive notice of, and to vote at, the Annual Meeting.

This Notice and accompanying Proxy Statement and proxy or voting instruction card will be first mailed to you and to other stockholders of record commencing on or about April 29, 2008.

All stockholders are cordially invited to attend the Annual Meeting. Whether or not you plan to attend, I hope that you will vote as soon as possible. Please review the instructions on the proxy or voting instruction card regarding your voting options.

By Order of the Board of Directors

/s/ Michael B. Targoff

Michael B. Targoff
*Vice Chairman of the Board,
Chief Executive Officer and President*

April 29, 2008

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Loral Space & Communications Inc.
600 Third Avenue
New York, New York 10016

PROXY STATEMENT

Questions and Answers About the Annual Meeting and Voting

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PROPOSAL 1 ELECTION OF DIRECTOR

The Company has three classes of directors serving staggered three-year terms, with each class consisting of three directors. The terms of the Class I, II and III directors expire on the date of the Annual Meeting in 2010, 2008 and 2009, respectively.

Stockholders will elect one Class II director at the Annual Meeting. Of the directors named below, Mr. Michael B. Targoff is the nominee to serve as Class II director. The other two Class II director slots are currently vacant and will remain vacant after the meeting and until the Board either reduces its size or elects candidates to fill such vacancies.

Mr. Targoff will serve for a period of three years, until a qualified successor director has been elected, or until he resigns or is removed by the Board. **A Class II director will be elected by plurality vote. The Board of Directors unanimously recommends a vote FOR the director nominee.**

The following are brief biographical sketches of each of our directors and nominees:

Michael B. Targoff

Age:

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Director Since: November 2005
 Class: Class II
 Business Experience: Mr. Targoff has been Chief Executive Officer of Loral since March 1, 2006, President since January 8, 2008 and Vice Chairman of Loral since November 21, 2005. From 1998 to February 2006, Mr. Targoff was founder and principal of Michael B. Targoff & Co., a private investment company.
 Other Directorships: Chairman of the Board and member of the Audit Committee of Communication Power Industries. Director, Chairman of the Audit Committee and member of the Compensation Committee and Nominating and Corporate Governance Committee of Leap Wireless International, Inc. Director of ViaSat, Inc.

Sai S. Devabhaktuni

Age: 36
 Director Since: November 2005
 Class: Class III
 Business Experience: Mr. Devabhaktuni is currently a managing principal of MHR Fund Management, an investment manager of various private investment funds that invest in inefficient market sectors, including special situation equities and distressed investments. Mr. Devabhaktuni has served MHR Fund Management in various capacities since 1998.

Hal Goldstein

Age: 42
 Director Since: November 2005
 Class: Class III
 Business Experience: Mr. Goldstein is a co-founder of MHR Fund Management and is currently a managing principal of MHR Fund Management. Mr. Goldstein has served MHR Fund Management in various capacities since 1996.
 Other Directorships: Director of GF Health Products Inc.

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John D. Harkey, Jr.

Age: 47
 Director Since: November 2005
 Class: Class I
 Business Experience: Mr. Harkey has been Chairman and Chief Executive Officer of Consolidated Restaurant Companies, Inc. since 1998. Director and Chairman of the Audit Committee of Energy Transfer Equity, L.P. and Emisphere Technologies, Inc. Director and member of the Audit Committee and the Nominating and Corporate Governance Committee of Leap Wireless International, Inc. Director and member of the Audit Committee and Corporate Governance Committee of Energy Transfer Partners, LLC.
 Other Directorships:

Mark H. Rachesky, M.D.

Age: 49
 Director Since: November 2005
 Class: Class III
 Business Experience: Dr. Rachesky has been non-executive Chairman of the Board of Directors of Loral since March 1, 2006. Dr. Rachesky is a co-founder of MHR Fund Management and has been its President since 1996. Non-executive Chairman of the Board, Chairman of the Nominating and Corporate Governance Committee and member of the Compensation Committee of Leap Wireless International, Inc. Director of Neose Technologies, Inc. and NationsHealth Inc. Director, Chairman of the Governance and Nominating Committee and member of the Compensation Committee of Emisphere Technologies, Inc.
 Other Directorships:

Arthur L. Simon

Age: 76
 Director Since: November 2005
 Class: Class I
 Business Experience: Mr. Simon is an independent consultant. Before his retirement, Mr. Simon was a partner at Coopers & Lybrand L.L.P., Certified Public Accountants, from 1968 to 1994.
 Other Directorships: Director and member of the Audit and Governance Committees of L-3 Communications Corporation.

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John P. Stenbit

Age: 68
 Director Since: June 2006
 Class: Class I
 Business Experience: Mr. Stenbit is a consultant for various government and commercial clients. From 2001 to his retirement in March 2004, he was Assistant Secretary of Defense of Networks and Information Integration/Department of Defense Chief Information Officer. Director and member of the Governance and Nominating and Audit Committees of SM&A Corporation. Director and member of the Nominating and Corporate Governance, Audit and Compensation Committees of Cogent, Inc. Director and member of the Corporate Governance and Compensation Committees of SI International, Inc.
 Other Directorships: Director and member of the Nominating and Corporate Governance and Compensation and Human Resources Committees of ViaSat, Inc. Trustee of The Mitre Corp., a not-for-profit corporation, and member of the Defense Science Board, the Technical Advisory Group of the National Reconnaissance Office, the Advisory Board of the National Security Agency, the Science Advisory Group of the US Strategic Command and the Naval Studies Board.

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Additional Information Concerning the Board of Directors of the Company

During 2007, the Board of Directors held 11 meetings and acted by unanimous written consent three times. No director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and of committees of the Board of which he was a member. In addition to regularly scheduled meetings, a number of directors were involved in numerous informal meetings with management, offering valuable advice and suggestions on a broad range of corporate matters. We do not have a policy regarding directors' attendance at annual meetings.

The Company is listed on the Nasdaq Stock Market and complies with the Nasdaq listing requirements regarding independent directors. Under Nasdaq's Marketplace Rules, the definition of an independent director is a person other than an executive officer or employee of the company or any other individual having a relationship which, in the opinion of the issuer's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board of Directors has determined that all of our directors, except for Mr. Targoff, are independent directors; independent directors, therefore, constitute a majority of our Board. Non-management directors meet in executive sessions without members of the Company's management at the conclusion of regularly scheduled Board meetings.

Indemnification Agreements

As of the effective date of our plan of reorganization (November 21, 2005), we entered into Officers' and Directors' Indemnification Agreements (each, an Indemnification Agreement) with our officers. In addition we entered into Indemnification Agreements with each of our directors as of the date such person became a director (each officer and director with an Indemnification Agreement, an Indemnitee). The Indemnification Agreement requires us to indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding (as that term is used in the Indemnification Agreement), except with regard to any Proceeding by or in our right to procure a judgment in our favor, against all Expenses and Losses (as those terms are used in the Indemnification Agreement), including judgments, fines, penalties and amounts paid in settlement, subject to certain conditions, actually and reasonably incurred in connection with such Proceeding, if the Indemnitee acted in good faith for a purpose which he or she reasonably believed to be in or not opposed to our best interests. With regard to Proceedings by or in our right, the Indemnification Agreement provides similar terms of indemnification; no indemnification will be made, however, with respect to any claim, issue or matter as to which the Indemnitee shall have been adjudged to be liable to us, unless a court determines that the Indemnitee is entitled to indemnification for such portion of the Expenses as the court deems proper, all as detailed further in the Indemnification Agreement. The Indemnification Agreement also requires us to indemnify an Indemnitee where the Indemnitee is successful, on the merits or otherwise, in the defense of any claim, issue or matter therein, as well as in other circumstances delineated in the Indemnification Agreement. The indemnification provided for by the Indemnification Agreement is subject to certain exclusions detailed therein. Our subsidiaries, Space Systems/Loral, Inc. (SS/L) and Loral Holdings Corporation both guarantee the due and punctual payment of all of our obligations under the Indemnification Agreements.

We have received a request for indemnification from our directors for any losses or costs they may incur as a result of certain shareholder lawsuits described below under Legal Proceedings.

Directors and Officers Liability Insurance

We have purchased insurance from various insurance companies against obligations we might incur as a result of our indemnification obligations of directors and officers for certain liabilities they might incur and insuring such directors

and officers for additional liabilities against which they might not be indemnified by us. We have also procured coverage for our own liabilities in certain circumstances. Our cost for the annual insurance premium covering the period from November 21, 2007 to November 20, 2008 is \$1,908,000.

Legal Proceedings

Certain shareholder lawsuits have been commenced against our directors relating to the preferred stock financing transaction with MHR Fund Management and certain of its affiliated funds described in Certain

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Relationships and Related Transactions MHR Fund Management LLC. These lawsuits are described below and in note 17 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

New York Shareholder Litigation

On or about November 3, 2006, plaintiff Maxine Babus, derivatively on behalf of Loral Space & Communications Inc., filed a shareholder derivative complaint in the Supreme Court of the State of New York, County of New York, against all the members of the Loral Board of Directors and against Loral as a nominal defendant. On or about April 4, 2007, the plaintiff filed an amended shareholder class and derivative complaint against all members of the Loral Board of Directors, MHR Fund Management and certain funds (the MHR Funds) and other entities affiliated with MHR Fund Management (collectively, MHR Fund Management, the MHR Funds and such other entities, the MHR Entities) and Loral as a nominal defendant. The amended complaint alleges, among other things, that, in connection with the Company's Securities Purchase Agreement dated October 17, 2006, as amended and restated on February 27, 2007 (as so amended and restated, the Securities Purchase Agreement), pursuant to which the Company sold to the MHR Funds \$300 million in new convertible preferred stock, the directors and the MHR Entities breached their fiduciary duties to the Company, including the fiduciary duties of care and loyalty, and that the MHR Entities and Dr. Mark H. Rachesky have aided and abetted the directors' breach of fiduciary duty. The amended complaint seeks, among other things, both as to the derivative claims and the class action claims, preliminary and permanent injunctive relief, an award of compensatory damages in an amount to be determined, rescission of the Securities Purchase Agreement and plaintiff's costs and disbursements, including attorneys' and experts' fees and expenses.

The plaintiff, Mrs. Babus, died in November 2006, and, in August 2007, her son was substituted as plaintiff in place of his deceased mother. After discussions between the parties in which it was decided not to proceed with a Memorandum of Understanding entered into in March 2007 (more fully described in the Company's Report on Form 8-K filed on March 21, 2007, and the full text of which is attached as Exhibit 10.1 thereto) in light of a further advanced Delaware shareholder litigation (discussed below), the parties have agreed, and the court in an order dated December 5, 2007 ordered, that the *Babus* lawsuit be stayed pending final resolution of such Delaware shareholder litigation.

Delaware Shareholder Litigation

On or about May 14, 2007, the Court of Chancery of the State of Delaware in and for New Castle County entered an order consolidating two civil actions previously commenced by certain stockholders of the Company against the Company, the MHR Entities and the individual members of the Company's Board of Directors under the caption *In re: Loral Space and Communications Inc. Consolidated Litigation*. Plaintiffs in this action are certain stockholders of the Company who allege that they hold over 25% of the outstanding common stock of the Company (the Blackrock

Plaintiffs) and Highland Crusader Offshore Partners, L.P. (Highland, and, together with the Blackrock Plaintiffs, the Delaware Plaintiffs), the purported owner of over 7% of Lorals outstanding common stock. The Blackrock Plaintiffs have brought the case derivatively on behalf of the Company and directly on behalf of the Blackrock Plaintiffs individually. The case has also been brought by Highland as a class action on behalf of a class of Lorals stockholders consisting of all security holders of the Company (except the defendants and persons or entities related to or affiliated with the defendants) who, as alleged in the amended and consolidated complaint, are or will be threatened with injury arising from Defendants actions as described in the amended and consolidated complaint.

In the amended and consolidated complaint, the Blackrock Plaintiffs have brought derivative claims alleging, among other things, that, in connection with the Securities Purchase Agreement, pursuant to which the Company sold \$300 million of preferred stock to the MHR Funds, the directors and the MHR Entities breached their fiduciary duties to the Company, including the fiduciary duties of care and loyalty, the MHR Entities have aided and abetted the directors breach of fiduciary duty, and the directors have engaged in conduct, or intentionally or recklessly approved conduct, that has caused the Company to waste valuable corporate assets. In addition, the Blackrock Plaintiffs have brought a direct claim against the MHR Entities and Dr. Rachesky alleging breach of their fiduciary duties allegedly owed to the Blackrock Plaintiffs, and a claim alleging that, by approving, engaging in and closing the transactions contemplated by the Securities

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Purchase Agreement, defendants violated the restriction on transactions between companies and their interested stockholders contained in Section 203 of the Delaware General Corporation Law.

In the amended and consolidated complaint, Highland has brought class claims alleging, among other things, that, in connection with the Securities Purchase Agreement, MHR Fund Management and the individual defendants breached their fiduciary duties in negotiating and approving the Securities Purchase Agreement, MHR Fund Management and the individual defendants breached their fiduciary duties by failing to terminate and re-negotiate the Securities Purchase Agreement after it was announced, the individual defendants committed an ultra vires abdication of their statutory authority, MHR Fund Management and the individual defendants breached their fiduciary duty of disclosure by stating publicly that they would seek to renegotiate the Securities Purchase Agreement after it was announced or to obtain an alternative and instead proceeding with the Securities Purchase Agreement, and MHR Fund Management aided and abetted the individual defendants in their breach of fiduciary duty.

In May 2007, the defendants filed answers, denying any allegations of wrongdoing and asserting various defenses. On February 20, 2008, the court entered an order (i) certifying a class action as to the class claims for a class of all record and beneficial owners of common stock of Lorals as of October 17, 2006 and their successors, representatives, trustees, executors, administrators, heirs, assigns or transferees, (ii) appointing Highland as class representative and (iii) designating counsel to the class.

In a pre-trial stipulation and order entered into in February 2008, the Delaware Plaintiffs stated that the relief they were seeking was, among other things, (a) an order directing that MHR Fund Management and affiliated entities (MHR) offer the preferred stock purchased pursuant to the Securities Purchase Agreement, together with all accrued and PIK dividends thereon, to all other holders of Lorals common stock on a pro rata basis, and that in connection with such offer, the terms of the preferred stock be modified to reflect market terms and otherwise be fair to Lorals non-controlling stockholders; or (b) in the alternative, (i) an order, pending conversion of the preferred stock into nonvoting common stock, imposing a constructive trust on the preferred stock for the benefit of Lorals and the class pursuant to which MHR cannot receive any benefits from the preferred stock or exercise any of the rights associated with the preferred stock; and (ii) an order determining and resetting the conversion price of the preferred stock at the fair market value of Lorals as of October 17, 2006 (the new conversion price); and (iii) an order re-characterizing the

preferred stock as that number of shares of non-voting common stock into which the preferred stock would convert at the new conversion price (the new resulting shares) (or, alternatively, an order enjoining MHR from converting the preferred stock into any more shares than the new resulting shares; enjoining Loral from issuing to MHR in place of the preferred stock any more shares than the new resulting shares and continuing the constructive trust with respect to any remaining shares of preferred stock); (c) an order directing MHR to disgorge the \$6.75 million placement fee paid by Loral to MHR in connection with the preferred stock issuance and, to the extent not disgorged, an order holding MHR and the director defendants jointly and severally liable for that amount; (d) an order directing MHR to repay Loral for the fees incurred by MHR's financial and legal advisors in connection with Securities Purchase Agreement and, to the extent not repaid, an order holding MHR and the directors defendants jointly and severally liable for that amount; (e) an order holding MHR and the director defendants jointly and severally liable for all other costs and expenses incurred by Loral in connection with the Securities Purchase Agreement and the litigation; (f) an award of attorneys' fees, costs and expenses, including expert fees, to the Delaware Plaintiffs' counsel; and (g) such other and further relief as the court deems just and proper. If there is a determination of liability, however, the Court of Chancery, which is a court of equity, has wide latitude in determining remedies.

A trial in this action commenced in early March 2008. Fact testimony was completed, but expert testimony is scheduled to be heard on May 12, 2008.

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Director Compensation

Board and Committee Compensation Structure

The Board of Directors has adopted a compensation structure for non-management directors designed to achieve the following goals:

- Compensation should fairly pay directors for work required for a company of Loral's size and scope;
 - Compensation should align directors' interests with the long-term interests of stockholders; and
 - Compensation structure should be simple, transparent and easy to understand.
- The compensation structure that was adopted is as follows:

Board and Committee Compensation Structure

	Annual Fee ⁽¹⁾	In-Person Meeting Fee ⁽²⁾	Telephonic Meeting Fee (over 30 minutes) ⁽³⁾	Annual Stock Award ⁽⁴⁾	Medical
Board of Directors	\$25,000	\$1,500	\$1,000	2,000 Shares of Restricted Stock; 5,000 Shares of Restricted Stock for non-executive Chairman (vesting over two years)	Eligible for Loral Medical Plan at Company's expense if not otherwise employed full-time
Executive Committee	No extra fees unless set on an ad hoc basis by Board of Directors				

Audit Committee

Chairman	\$15,000	\$1,000	\$ 500
Member	\$ 5,000	\$1,000	\$ 500

Compensation Committee

Chairman	\$ 5,000	\$1,000	\$ 500
Member	\$ 2,000	\$1,000	\$ 500

Nominating Committee

Chairman	\$ 5,000	\$1,000	\$ 500
Member	\$ 2,000	\$1,000	\$ 500

(1) Annual fees are payable to all directors, including Company employees and consultants.

(2) In-person meeting fees are not paid to Company employees or consultants.

Telephonic meeting fees are not paid to Company employees or consultants. For meetings of less than 30 minutes (3) in duration, per meeting fees may be paid if, in the discretion of the Chairman of the Board or Committee, as applicable, meaningful preparation was required in advance of the meeting.

(4) The annual grant of restricted stock is not awarded to directors who are Company employees or consultants.

Non-management Directors Compensation for Fiscal 2007

For fiscal year 2007, Loral provided the compensation set forth in the table below to its directors.

Directors were not granted stock awards in 2006 because there were no shares available for grant under our 2005 Stock Incentive Plan. On March 20, 2007, the Board of Directors approved grants of 31,000 shares of restricted stock to our non-executive directors as a group. 16,000 shares were granted as compensation for services rendered during 2006 (5,000 shares to Dr. Rachesky, 2,000 shares to each of Messrs. Devabhaktuni, Goldstein, Harkey, Simon and Stenbit and 1,000 shares to Mr. Olmstead), and 15,000 shares were granted as part of their compensation for 2007 (5,000 shares to Dr. Rachesky and 2,000 shares to each of Messrs. Devabhaktuni, Goldstein, Harkey, Simon and Stenbit). These grants were subject to stockholder approval of the Company's Amended and Restated 2005 Stock Incentive Plan which was obtained on May 22, 2007 at the Company's 2007 Annual Meeting of Stockholders.

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On June 7, 2006, Loral entered into a consulting agreement with a director, Dean A. Olmstead. Pursuant to this agreement, Mr. Olmstead provided consulting services to the Company relating generally to exploration of strategic and growth opportunities for Loral and achievement of efficiencies within the Company's divisions. The consulting agreement was terminated effective as of October 31, 2007, and, on January 10, 2008, Mr. Olmstead resigned from the Board of Directors of the Company. For a more detailed description of Mr. Olmstead's consulting agreement, the option grant associated therewith and termination of the consulting agreement, see Certain Relationships and Related Transactions Consulting Agreement with Dean A. Olmstead.

2007 Director Compensation

Name	Fees Earned or Paid in Cash ⁽¹⁾	Stock Awards ⁽²⁾	All Other Compensation	Total
Mark H. Rachesky, M.D.	\$ 38,000	\$ 259,477		\$ 297,477
Michael B. Targoff ⁽³⁾	\$ 25,000			\$ 25,000
Sai Devabhaktuni	\$ 32,500	\$ 103,791		\$ 136,291

Hal Goldstein	\$ 33,500	\$ 103,791	\$ 137,291
John D. Harkey, Jr.	\$ 81,500 ⁽⁴⁾	\$ 103,791	\$ 185,291
Dean A. Olmstead	\$ 25,000	\$ 37,600	\$ 3,355,221 ⁽⁵⁾
Arthur L. Simon	\$ 89,500 ⁽⁴⁾	\$ 103,791	\$ 193,291
John P. Stenbit	\$ 44,000	\$ 103,791	\$ 147,791

(1) The column reports the amount of cash compensation for Board and Committee service paid in 2007 or earned with respect to meetings held in 2007 and paid in 2008.

The Stock Awards column represents the amounts expensed by us in 2007 relating to restricted stock grants to our directors on May 22, 2007 under our Amended and Restated 2005 Stock Incentive Plan based on a grant date fair value of \$46.65 per share which was the average of the high and low trading prices of our common stock on the grant date. In October 2005, we adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (SFAS No. 123(R)), which requires us to recognize compensation expense for stock options and other stock-related awards granted to our employees and directors based on the estimated fair value under SFAS No.

(2) 123(R) of the equity instrument at the time of grant. The compensation expense is recognized over the vesting period. The grant date fair values for these awards were as follows: Dr. Rachesky \$466,500, Mr. Devabhaktuni \$186,600, Mr. Goldstein \$186,600, Mr. Harkey \$186,600, Mr. Olmstead \$46,650, Mr. Simon \$186,600 and Mr. Stenbit \$186,600. The assumptions used to determine the valuation of the awards are discussed in note 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007. As of December 31, 2007, Dr. Rachesky held 7,500 shares of restricted stock, each of Messrs. Devabhaktuni, Goldstein, Harkey, Simon and Stenbit held 3,000 shares of restricted stock, Mr. Olmstead held 500 shares of restricted stock and Mr. Targoff did not hold any shares of restricted stock.

(3) Does not include compensation paid or options awarded to Mr. Targoff in his capacity as Chief Executive Officer, which compensation and options are described in Executive Compensation Compensation Tables Summary Compensation Table.

(4) Includes \$34,000 and \$35,000 of per diem fees received in 2008 by Mr. Harkey and Mr. Simon, respectively, for time spent in 2007 in connection with litigation relating to their service on a special committee of the Board that negotiated the Amended and Restated Securities Purchase Agreement dated October 17, 2006, as amended and restated on February 27, 2007, by and between the Company and MHR Fund Management. See Certain Relationships and Related Transactions MHR Fund Management LLC. Does not include \$40,500 received in 2007 by each of Mr. Harkey and Mr. Simon with respect to service in 2006 on the special committee.

(5) For Mr. Olmstead, All Other Compensation includes \$743,587 earned pursuant to his consulting agreement during 2007 (consisting of \$266,667 in consulting fees, a bonus of \$168,920 for 2007 paid in 2008, \$8,000 for life insurance premium reimbursement, \$15,000 in lieu of retirement benefits and a termination fee of \$285,000 upon termination of his consulting agreement in October 2007) and \$2,591,150 of stock option expense recorded in 2007 relating to vesting of options granted to Mr. Olmstead in connection with his consulting agreement, substantially all of which expense related to the vesting of his 100,000 performance-based options upon the completion of the Telesat Canada transaction. The actual value realized by Mr. Olmstead upon exercise of options in 2007 was \$908,000. In addition, in 2007, the Company, which has a self-insured medical plan, subsidized medical insurance premiums on behalf of Mr. Olmstead, the value of which subsidy was \$20,484. See Certain Relationships and Related Transactions Consulting Agreement with Dean A. Olmstead.

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Committees of the Board of Directors

The Company's standing committees of the Board of Directors are the Audit Committee, the Compensation Committee, the Executive Committee and the Nominating Committee. The charters of the Audit Committee, the Compensation Committee and the Nominating Committee are available on the Investor Relations Corporate

Governance section of our website at *www.loral.com*. These documents are also available upon written request to: Investor Relations, Loral Space & Communications Inc., 600 Third Avenue, New York, New York 10016. The Executive Committee does not have a charter. Information concerning these committees is set out below.

Audit Committee

Members: Arthur L. Simon (Chairman), John D. Harkey, Jr., John P. Stenbit

Number of Meetings in 2007: 9

The Board of Directors has determined that all of the members of the Audit Committee meet the independence and experience requirements of the Securities and Exchange Commission (SEC) and the Nasdaq Stock Market. Moreover, the Board of Directors has determined that one of the Committee s members, Mr. Simon, qualifies as an audit committee financial expert as defined by the SEC.

The Audit Committee is generally responsible for, among other things, (i) the appointment, termination, and compensation of the Company s independent registered public accounting firm, and oversight of their services; (ii) approval of any non-audit services to be performed by the independent registered public accounting firm and related compensation; (iii) reviewing the scope of the audit proposed for the current year and its results; (iv) reviewing the adequacy of our disclosure and accounting and financial controls; (v) reviewing the annual and quarterly financial statements and related disclosures with management and the independent registered public accounting firm; (vi) monitoring the Company s and the independent registered public accounting firm s annual performance under the requirements of Sarbanes Oxley Act Section 404; and (vii) reviewing the internal audit function and findings from completed internal audits.

Compensation Committee

Members: Mark H. Rachesky, M.D. (Chairman), John D. Harkey, Jr.

Number of Meetings in 2007: 3

Our Compensation Committee has primary responsibility for overseeing our executive compensation program, including compensation of our named executive officers listed in the compensation tables that follow. Our Compensation Committee is composed of independent directors, as determined by Nasdaq listing standards. The Committee s responsibilities are set forth in its charter. In order to fulfill its responsibilities pertaining to executive and director compensation, the Committee:

Reviews and recommends to the Board the compensation of officers and other senior executives of the Company;
Proposes the adoption, amendment and termination of compensation plans and programs and oversees the administration of these plans and programs;

Reviews, approves and recommends to the Board the form and amount of all stock incentive awards provided to eligible executives pursuant to our stock incentive plans; and

Reviews and recommends to the Board the form and amount of compensation paid to the Company s outside directors.

In 2007, the Compensation Committee met three times and acted by unanimous written consent once.

Our Compensation Committee has authority to retain a consulting firm to assist it in the evaluation of compensation for our named executive officers and has the authority to approve the consultant s fees and other retention terms. In 2007, the Committee retained Hewitt Associates as its executive compensation consultant. In selecting this consultant, the Committee considered the reputation and experience of the consultant as well as its independence. In the past, we have retained, and continue to retain, The Segal Company for actuarial and related services in connection with our retirement plans.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is a present or former officer of or employed by the Company or its subsidiaries. None of our executive officers serves as a member of the board of directors or compensation committee of any other entity the executive officers of which entity serve either on the Company's Board of Directors or Compensation Committee. Dr. Rachesky is a co-founder and President of MHR Fund Management, affiliated funds of which have engaged in transactions with the Company. See Certain Relationships and Related Transactions MHR Fund Management LLC.

Executive Committee

Members: Michael B. Targoff (Chairman), Mark H. Rachesky, M.D.

Number of Meetings in 2007: 2

The Executive Committee performs such duties as are from time to time determined and assigned to it by the Board of Directors.

Nominating Committee

Members: John D. Harkey, Jr. (Chairman), Hal Goldstein

Number of Meetings in 2007: 1

The Nominating Committee assists the Board of Directors in (i) identifying individuals qualified to become members of the Board (consistent with criteria approved by the Board) and (ii) selecting, or recommending that the Board select, the director nominees for the next annual meeting of stockholders. The Nominating Committee will consider candidates for nomination as a director recommended by stockholders, directors, officers, third party search firms and other sources. Under its charter, the Nominating Committee seeks director nominees who have demonstrated exceptional ability and judgment. Nominees will be chosen with the primary goal of ensuring that the entire Board collectively serves the interests of the stockholders. Due consideration will be given to assessing the qualifications of potential nominees and any potential conflicts with the Company's interests. The Nominating Committee will also assess the contributions of the Company's incumbent directors in connection with their potential re-nomination. In identifying and recommending director nominees, the Nominating Committee members may take into account such factors as they determine appropriate, including any recommendations made by the Chief Executive Officer and stockholders of the Company. The Nominating Committee will review all candidates in the same manner, regardless of the source of the recommendation. Individuals recommended by stockholders for nomination as a director will be considered in accordance with the procedures described under Other Matters Stockholder Proposals for 2009.

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PROPOSAL #2 INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders will act upon a proposal to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the Company. **If the stockholders, by the affirmative vote of the holders of a majority of the voting power of the shares represented in person or by proxy at the Annual Meeting and entitled to vote on this proposal, do not ratify the selection of Deloitte & Touche LLP, the selection of the independent registered public accounting firm will be reconsidered by the Audit Committee.**

Background

The Audit Committee has selected Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2008. Deloitte & Touche LLP has advised the Company that it has no direct or indirect financial interest in the Company or any of its subsidiaries and that it has had, during the last three years, no connection with the Company or any of its subsidiaries other than as our independent registered public accounting firm and certain other activities as described below.

Financial Statements and Reports

The financial statements of the Company for the year ended December 31, 2007 and the reports of the independent registered public accounting firm will be presented at the Annual Meeting. Deloitte & Touche LLP will have a representative present at the meeting who will have an opportunity to make a statement if he or she so desires and to respond to appropriate questions from stockholders.

Services

During 2006 and 2007, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively, Deloitte) provided services consisting of the audit of the annual consolidated financial statements and internal controls over financial reporting of the Company, review of the quarterly financial statements of the Company, stand-alone audits of subsidiaries, foreign statutory reports, accounting consultations and consents and other services related to SEC filings and registration statements filed by the Company and its subsidiaries and other pertinent matters. Deloitte also provided other permitted services to the Company in 2006 and 2007 consisting primarily of tax consultation and related services.

Audit Fees

The aggregate fees billed or expected to be billed by Deloitte for professional services rendered for the audit of the Company's annual consolidated financial statements and internal controls over financial reporting for the fiscal years ended 2006 and 2007, for the reviews of the condensed consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q for the 2006 and 2007 fiscal years, for stand-alone and statutory audits of our subsidiaries and for accounting research and consultation related to the audits and reviews totaled approximately \$3,614,000 for 2006 and \$5,330,900 for 2007. These fees were approved by the Audit Committee. These fees include \$1,209,300 that pertained to the Telesat Canada transaction and were reimbursed to us or paid directly by Telesat Canada.

Audit-Related Fees

The aggregate fees billed by Deloitte for audit-related services for the fiscal years ended 2006 and 2007 were \$100,000 and \$1,242,300, respectively. These fees related to research and consultation on various filings with the SEC, acquisition related due diligence reviews and the Telesat Canada financing and were approved by the Audit Committee. These fees include \$771,800 that pertained to the Telesat Canada transaction and were reimbursed to us or paid directly by Telesat Canada.

Tax Fees

The aggregate fees billed by Deloitte for tax-related services for the fiscal years ended 2006 and 2007 were \$45,000 and \$599,000, respectively. These fees related to tax consultation, preparation of federal and state tax returns and related services and were approved by the Audit Committee.

All Other Fees

The aggregate fees billed or expected to be billed by Deloitte for services rendered to the Company, other than the services described above under Audit Fees, Audit-Related Fees and Tax Fees for the

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fiscal years ended 2006 and 2007 totaled approximately \$15,000 and \$45,000, respectively. These fees related to consulting on internal control matters and were approved by the Audit Committee.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining Deloitte's independence.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE THEIR SHARES **FOR** THE PROPOSAL TO RATIFY THE SELECTION OF DELOITTE & TOUCHE LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2008.

REPORT OF THE AUDIT COMMITTEE

The Directors who serve on the Audit Committee are all independent for purposes of Nasdaq listing standards and applicable SEC rules and regulations. Among its functions, the Audit Committee reviews the financial reporting process of the Company on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the financial reporting process. The independent registered public accounting firm is responsible for expressing opinions on the conformity of the Company's financial statements to accounting principles generally accepted in the United States of America, on management's annual assessment of internal control over financial reporting, based on criteria established in Internal Control - An Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (collectively, COSO), and on the effectiveness, in all material respects, of internal control over financial reporting, based on criteria established by COSO.

We have reviewed and discussed with management the Company's Annual Report on Form 10-K for the year ended December 31, 2007, which includes the Company's audited consolidated financial statements for the year ended December 31, 2007, and management's assessment of, and the independent audit of, the effectiveness of the Company's internal control over financial reporting as of December 31, 2007.

For 2007, the Audit Committee operated under a written charter adopted by the Board of Directors which is available on the Company's website at www.loral.com. All of the responsibilities enumerated in such charter were fulfilled for the year ended December 31, 2007.

We have reviewed and discussed with management and the independent registered public accounting firm, Deloitte & Touche LLP, the Company's financial statements as of and for the year ended December 31, 2007.

We have discussed with the independent registered public accounting firm, Deloitte & Touche LLP, the matters required to be discussed by the Sarbanes-Oxley Act of 2002 and Statement on Auditing Standards (SAS) No. 61, *Communication with Audit Committees*, as amended by SAS 89 and SAS 90, as adopted by the Public Company Accounting Oversight Board in Rule 3200T and Rule 2-07, *Communication with the Audit Committee*, of Regulation S-X of the SEC.

We have received and reviewed the written disclosures from Deloitte & Touche LLP, required by Independence Standard No. 1, *Independence Discussions with Audit Committees*, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and have discussed with the independent registered public accounting firm the firm's independence.

Based on the activities referred to above, we recommended to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

The Audit Committee

Arthur L. Simon, Chairman
John D. Harkey, Jr.
John P. Stenbit

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Compensation Discussion and Analysis explains the Company's executive compensation program as it relates to the following named executive officers.

Name	Title ⁽¹⁾
Michael B. Targoff	Vice Chairman of the Board of Directors, Chief Executive Officer and President
Harvey B. Rein	Senior Vice President and Chief Financial Officer
Richard P. Mastoloni	Senior Vice President of Finance and Treasurer
Avi Katz	Senior Vice President, General Counsel and Secretary
C. Patrick DeWitt	Senior Vice President and Chief Executive Officer of Space Systems/Loral, Inc.
Eric J. Zahler ⁽²⁾	Former President and Chief Operating Officer
Richard J. Townsend ⁽²⁾	Former Executive Vice President and Chief Financial Officer

Titles given for Messrs. Targoff, Rein, Mastoloni, Katz and DeWitt are those in effect as of the date of this proxy statement and reflect changes effective January 8, 2008. As of December 31, 2007, Mr. Targoff was Vice

(1) Chairman and Chief Executive Officer; Mr. Rein was Vice President and Controller; Mr. Mastoloni was Vice President and Treasurer; Mr. Katz was Vice President, General Counsel and Secretary; and Mr. DeWitt was Vice President and Chief Executive Officer of Space Systems/Loral, Inc.

In connection with the restructuring of our corporate office functions as a result of the completion on October 31, 2007 of the acquisition of Telesat Canada by Telesat Holdings Inc. ("Telesat Holdings"), a joint venture company formed by us and our Canadian partner, the Public Sector Pension Investment Board ("PSP"), and the related transfer (2) of substantially all of the assets and related liabilities of Loral Skynet Corporation ("Loral Skynet") to the joint venture (the "Telesat Canada transaction"), Mr. Zahler's and Mr. Townsend's employment with the Company ended effective November 30, 2007 and January 4, 2008, respectively.

Objectives and Philosophy

Our executive compensation program is designed to (i) attract and retain high quality named executive officers, who are critical to our long-term success and (ii) reward our named executive officers for achieving our short-term business and long-term strategic goals. The Committee determines target total direct compensation levels for our named executive officers based on several factors, including:

- Each executive officer's role and responsibilities;
- The total compensation of executives who perform similar duties at other companies;
- The total compensation for the executive officer during the prior fiscal year;
- How the executive officer may contribute to our future success; and
- Other circumstances as appropriate.

Total direct compensation is comprised of base salary, annual bonus compensation (identified in the Summary Compensation Table below under both the Non-Equity Incentive Plan Compensation and Bonus columns) and long-term incentive compensation in the form of equity awards. Each of these elements of total direct compensation is discussed in more detail below.

The Committee's goal is to design a compensation program that rewards our named executive officers for performance in relationship to achievement of corporate and personal performance goals. The Committee also seeks to set compensation for the named executive officers at levels that are competitive in our industry which is highly specialized, which is generally comprised of firms that are significantly larger in size than we are and for which the supply of qualified and talented executives is limited. For these reasons and due to an extended period of time during which we were unable to provide meaningful long-term incentives to our named executive officers resulting from our bankruptcy reorganization, short-term compensation (base salary and annual bonus compensation) for our named executive officers falls within or near the 75th percentile for comparable positions at our peers if target levels for the performance measures are achieved (see "The Role

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of Peer Groups, Survey and Market Analysis below for a description of our peer companies). In the future, with respect to newly hired executives, total direct compensation levels for our named executive officers will be designed and are expected to fall generally between the 50th and 75th percentile for comparable positions at our peer companies if target levels for the performance measures are achieved.

In evaluating compensation for our named executive officers, the Committee considers each element of total direct compensation, as well as benefits and potential compensation payable to executive officers in the event of termination. These benefits and compensation include retirement benefits, deferred compensation account balances and potential benefits which may be payable upon termination from the Company. The nature of this other compensation is different from total direct compensation because it involves, in the case of retirement benefits and deferred compensation account balances, compensation payable only in the future, and, in the case of termination benefits, compensation which is contingent upon the possible occurrence of future events. When making pay decisions, the Committee does not consider each element of compensation in isolation; ra